

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: ETRD, EAGR, DA

SUBJECT: DANISH SUGAR SITUATION

REF: STATE 147178

1. FOLLOWING ARE RESPONSES TO QUESTIONS RAISED PARAGRAPH 3
REFTEL:

A. ACTUAL COST OF PRODUCTION DATA FOR DANISH SUGAR IS NOT AVAILABLE TO US. HOWEVER, THE DANISH SUGAR FACTORIES HAVE SEVERAL TIMES STATED THAT THEY ARE THE MOST EFFICIENT SUGAR PROCESSORS IN THE EC AND THAT EC PRODUCTION COST STATISTICS SUPPORT THEIR CLAIM. THEY HAVE FURTHER INFORMALLY TOLD US THAT THEY EARN A QUOTE VERY REASONABLE UNQUOTE PROFIT EVEN SELLING AT INTERVENTION PRICE LEVELS. BASED ON THESE STATEMENTS, COMPANY ACCOUNTS FROM 1972/73 AND 1973/74, EC MINIMUM SUGAR BEET PRICES AND INTERVENTION PRICES, WE ESTIMATE THAT THE TOTAL PRODUCTION COSTS FOR RAW SUGAR IN THE 1975/76 SUGAR YEAR WILL AMOUNT APPROXIMATELY TO U.S. 14 TO 16 CENTS/LB. AT CURRENT EXCHANGE RATES (ABOUT DKR. 5.50/U.S. \$). THIS COMPARES WITH AN INTERVENTION PRICE FOR WHITE SUGAR OF U.S. 18.7 CENTS/LB.

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AT THE SAME EXCHANGE RATE.

B. THE CURRENT RETAIL PRICE (INCLUDING 15 PERCENT VAT)
IS U.S. 27 CENTS/LB. (U.S. 23.5 CENTS/LB. EXCLUDING VAT).

C. THE UNIT VALUE OF DANISH SUGAR EXPORTS IN 1974
AMOUNTED TO U.S. 23.5 CENTS/LB. FOB.

D. BASED ON DISCUSSIONS WITH MINAGR AND INDUSTRY OFFICIALS,
OUR PROJECTION OF RAW SUGAR PRODUCTION BY 1980 IS 550,000 MT
COMPARED WITH THE EXPECTED 530,000 MT IN 1975/76. ABOUT
275,000 MT SHOULD BE AVAILABLE FOR EXPORT ANNUALLY THROUGH
1980.

E. ONE OF THE SIX DANISH SUGAR MILLS IS CURRENTLY MAKING
EXPANSION INVESTMENTS TO INCREASE DAILY PRODUCTION CAPACITY BY
SOME 15 PERCENT, OR ROUGHLY 50,000 TONS ANNUALLY. NO OTHER
INVESTMENTS OTHER THAN ROUTINE UPGRADING OF MACHINERY ARE
PRESENTLY PLANNED BY THE INDUSTRY. THE EXPECTED 25 PERCENT
GAIN IN DANISH SUGAR PRODUCTION THE CURRENT YEAR IS MADE
POSSIBLE BY THE EXPANSION OF THE BEET PROCESSING PERIOD FROM
80 TO 110 DAYS ANNUALLY, AND BY MORE FULLY UTILIZING TWO PLANTS
WHICH PREVIOUSLY PROCESSED ABOUT 60 DAYS PER YEAR.

F. GROWTH IN DOMESTIC CONSUMPTION IS NOT EXPECTED TO EXCEED
ZERO TO ONE PERCENT ANNUALLY OVER THE NEXT FIVE YEARS.

G. TO OUR KNOWLEDGE THE LOCAL INDUSTRY HAS NOT ENTERED INTO
ANY LONG-TERM EXPORT CONTRACTS. NORWAY, TRADITIONALLY THE
MAJOR DANISH SUGAR EXPORT MARKET, PURCHASES SHORT-TERM OR ON
6 MONTHS CONTRACTS, FOR THE UK, LONG-TERM CONTRACTS HAVE NOT
YET BEEN CONSIDERED NECESSARY.

H. SINCE JOINING THE EC THE DANISH GOVERNMENT NO LONGER
PARTICIPATES DIRECTLY IN PRODUCTION, PRICING, EXPORTING OR
DOMESTIC MARKETING OF SUGAR. HOWEVER, AS A MEMBER OF THE
EC, THE DANISH GOVERNMENT OF COURSE HAS AN ACTIVE ROLE IN
FORMULATING THE EC SUGAR CAP, WHICH AFFECTS THE INDUSTRY IN
DENMARK AS ELSEWHERE IN THE EC. THE DANISH MONOPOLY BOARD
HAS THE POWER TO REVIEW DANISH WHOLESALE PRICES BUT IN PRACTICE
LETS THEM BE DETERMINED BY THE SUGAR CAP.

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